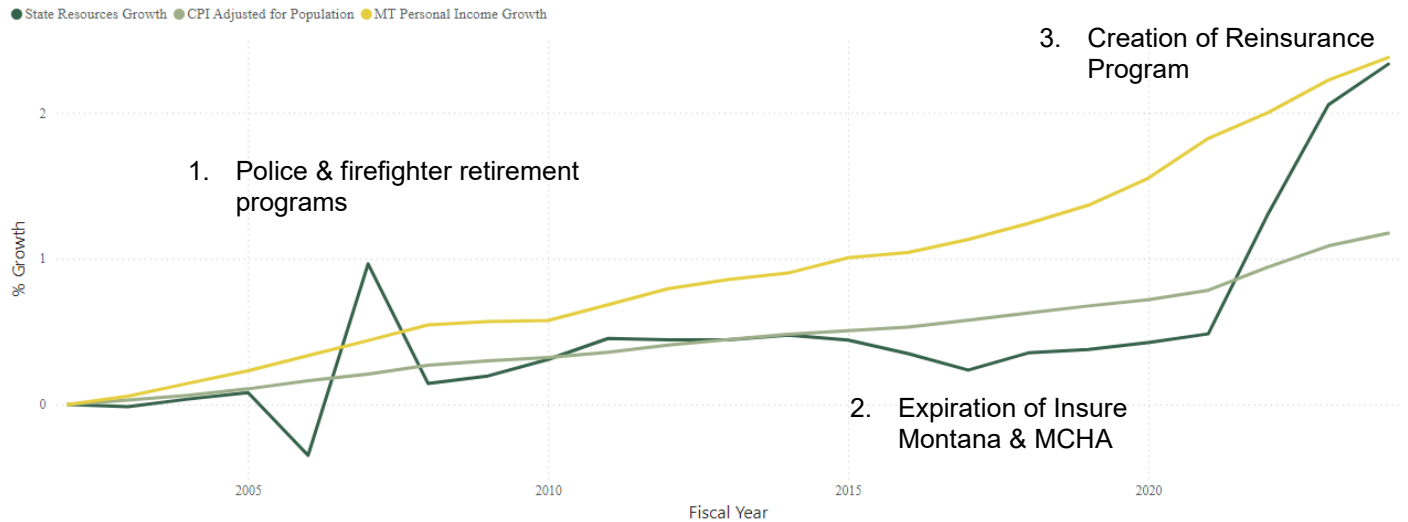


State Auditor's Office

This report includes a series of charts that compare state resource expenditure growth to the growth in personal income and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

All Governmental Funds

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



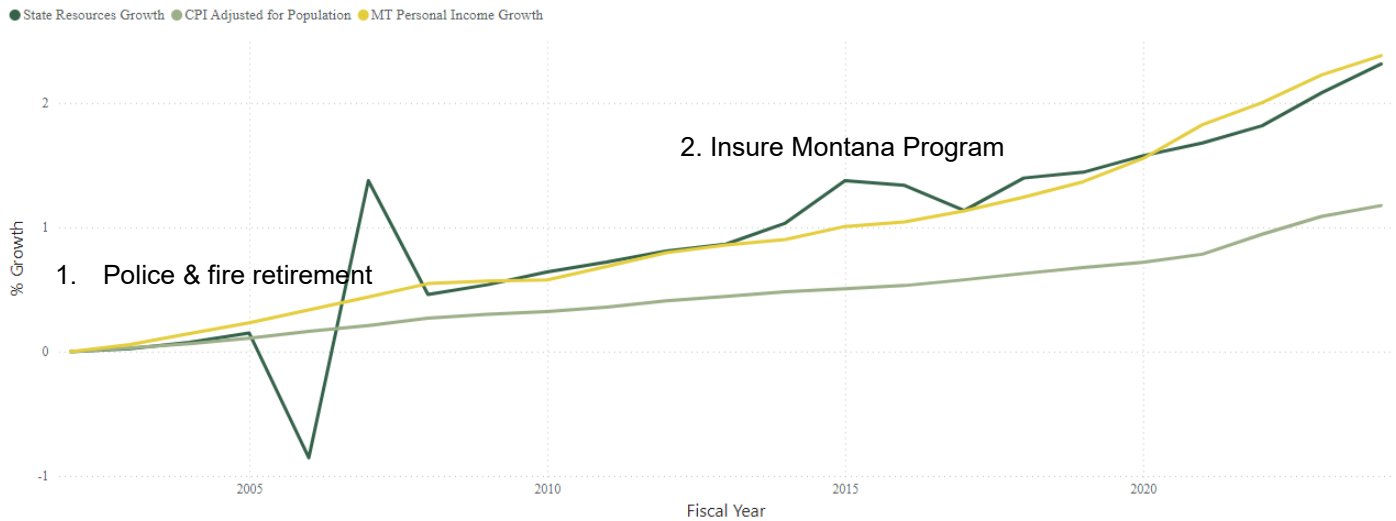
Overall, expenditure trends for all funds within the State Auditor's Office have generally been lower than the growth in inflation (adjusted for population) and personal income, although there are notable exceptions. Several key inflection points where expenditures exceeded or are lower than these growth trends include:

1. Retirement Program Payments (FY 2006-2007): A shift in the timing of pass-through payments for local police and firefighter retirement programs resulted in a temporary drop in FY 2006 and a spike in FY 2007. If these payments had been split evenly across both years, expenditure trends would have appeared more consistent.
2. Program Expiration (FY 2015): Funding for both the Insure Montana Program and MCHA ended in FY 2015, leading to a decline in related expenditures.
3. Montana Reinsurance Program (FY 2020-2021): Senate Bill 125, passed during the 2019 Legislative Session, established the Montana Reinsurance Program within the State Auditor's Office. The office was appropriated approximately \$9.9 million in state special revenue and \$34.1 million in federal special revenues annually to support the program. The bill also implemented a 1.0% premium assessment on major medical health insurers and a 1.2% assessment on other health and disability insurers. These funds were used to offset health insurers' expenses related to high-cost claims from individuals with significant medical needs.



General Fund

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



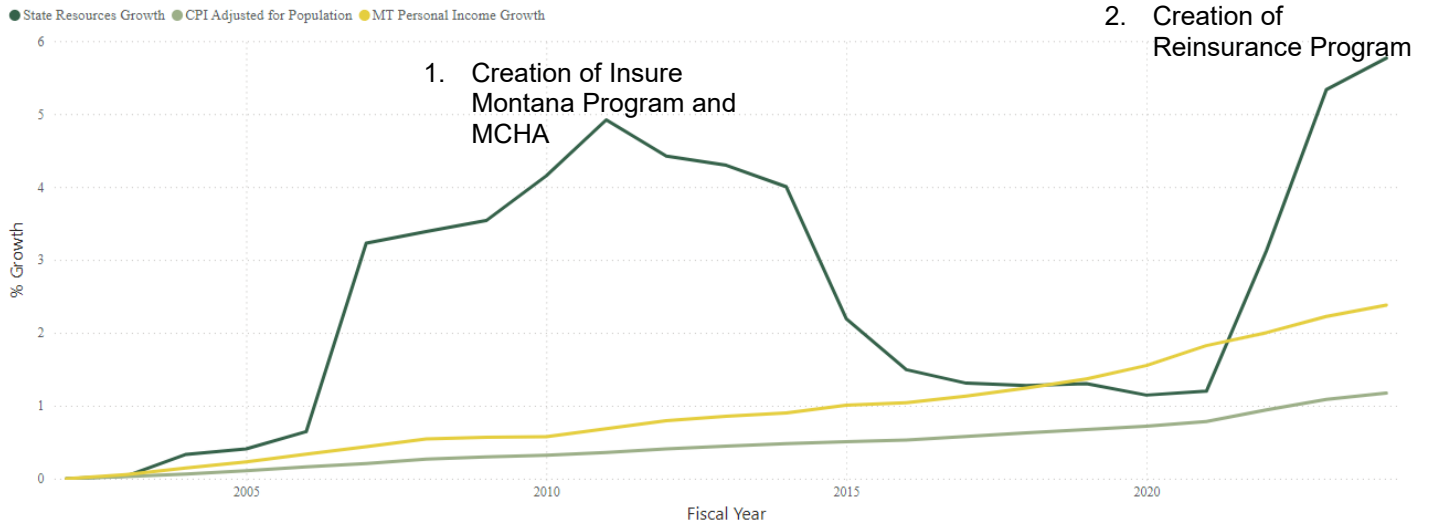
Expenditures from the general fund for the State Auditor’s Office have closely followed the growth of the economy as measured by personal income and have outpaced inflation (adjusted for population). However, most general fund expenditures are pass-through payments to state and local governments via the Fire and Police Retirement Program and are not directly spent by the State Auditor’s Office. Key inflection points where expenditures exceeded or are lower than these growth trends include:

1. Retirement Program Payments (FY 2006-2007): A shift in the timing of pass-through payments for local police and firefighter retirement programs resulted in a temporary drop in FY 2006 and a spike in FY 2007. If these payments had been split evenly across both years, expenditure trends would have appeared more consistent.
2. Insure Montana Program (FY 2014): The Insure Montana Program, which helped small businesses provide employee health insurance, received one-time-only general fund in HB 2 for the 2015 and the 2017 biennium leading to increased expenditures in those fiscal years.



State Special Revenue Funds

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Most of the State Auditor's Office's functions are funded through state special revenue. The agency relies on three major state special revenue accounts: the insurance fee account, the captive account, and the securities fee account. Over the past 20 years, expenditures from these funds steadily increased until FY 2011, after which they began to decline slightly.

1. A significant drop occurred following FY 2014 due to the expiration of the Insure Montana Program and the Montana Comprehensive Health Association (MCHA), which provided health insurance benefits to Montanans who could not otherwise afford or acquire health insurance.
2. The spike in appropriations in FY 2020 and FY 2021 is attributable to the creation of the Montana Reinsurance Program.

